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[REDACTED]  
[REDACTED]  
JUN 18 1991

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED], "to advance the civic, social, beauty and appearance of [REDACTED]. To provide a unified voice in presenting the owners rights and views. To enforce the restrictive covenants of [REDACTED]. To resolve problems or conflicts with [REDACTED]."

In addition, your Bylaws state that one of your purposes is "to enhance the beauty and appearance of [REDACTED] making it a more attractive and desirable place to live and increasing property values." your membership is limited to lot owners in [REDACTED], and your application states that your goal for [REDACTED] is [REDACTED] members.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"Civic Leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare..."

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that:

"An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements."

Revenue Ruling 74-99, 1974-1 C.B. 131, holds that in order for a homeowners' association to qualify for exemption under section 501(c)(4) of the Code, it must have the following characteristics:

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname		[REDACTED]					
Date		6/18/91					

- [REDACTED]  
[REDACTED]
1. The organization must serve a community which bears a reasonably recognizable relationship to an area ordinarily identified as governmental;
  2. It must not conduct activities directed to the exterior maintenance of private residences; and
  3. The common areas or facilities must be for the use and enjoyment of public, as distinguished from controlled use or access restricted to the members of the homeowners' association.

Revenue Ruling 72-102, 1972-C.B. 149, describes an organization formed to preserve the appearance of a housing development and to maintain streets, sidewalks, and common areas for use of the residents, which was found to be exempt under Internal Revenue Code section 501(c)(4). The rationale behind this decision was that the organization served the common good and general welfare of the entire community because it owned and maintained certain non-residential, non-commercial properties of the type normally owned and maintained by municipal governments. Administering and enforcing covenants for preserving the architecture and appearance of a housing development was incidental to the overriding public benefit.

Based on the information presented, we have concluded that you do not meet the requirements for exemption as a social welfare organization described in section 501(c)(4) of the Internal Revenue Code. Further, you do not meet the requirements of Revenue Ruling 74-9 because you are not a community which bears a reasonably recognizable relationship to an area ordinarily identified as governmental, but are an aggregation of homeowners bound together as a real estate subdivision. You can easily be distinguished from the organization in Revenue Ruling 72-102, because the Village of [REDACTED] provides all services and you do not own and maintain property of any kind which is for the benefit of the entire community. Enforcing restrictive covenants is your primary purpose and activity.

Accordingly, it is held that you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(4), and you are required to file Federal income tax returns on Form 1120.

As a homeowners' association, you may qualify for treatment under section 528, a section of the Code created by the Tax Reform Act of 1976. In this letter we are not ruling on the question of whether you qualify for treatment under section 528. However, if you believe you qualify for such treatment, you should file Form 1120-H when due.